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Beet or No Beet - in 2008 and Beyond ?

Beet – Where on earth are we Going?

- Why Continue with Beet?
- Major Profit Generator in recent past.
- Utterly disastrous results for many in 2007.
- Questionable Profit Contribution in the Future.
- Inappropriate Pricing for 2008.

2006 Example – Net Farm Margins

	Acres	Gross Margin	Op Costs	Net Margin	
Wheat	600	119	100	19	9,700
Barley	100	108	100	8	750
WOSR	200	72	100	(28)	(5,600)
Pulses	100	26	85	(59)	(5,900)
Beet	200	445	170	275	55,000
SAS	100		10	(10)	(1,000)
Total	1,200	156		44	52,950

Note – further Beet Income loss over next 2 years (£30,000).

Total excluding Beet in 2006 (2,050)

and Sugar Beet (06).....

Example of Revenue forgone on 5,000t contract

All figs per acre	2005	2006	2007	2008
Yield t/ac	25	25	25	25
Price	29	24	20	18
Output	725	600	500	450
Direct Costs	155	155	155	155
Operating Costs	165	165	165	165
Total Costs	325	325	325	325
Net Margin (pre land, finance, etc)	400	275	175	125
Revenue Lost c/w 05 (gross)		20,000	45,000	55,000

2008 Budget – Farm Margins

	Acres	Yield t/ac	Price £/t	Variable Costs £/ac	Gross Margin £/ac
Wheat	550	3.3	145	111	368
S					
Barley	150	2.25	180	87	318
WOSR	200	1.4	310	105	329
V Peas	100	2	225	219	231
Beet	200	25	21	303	222
SAS					
Total	1,200			Average	319

2008 Budget – Net Farm Margins

	Acres	Gross Margin	Op Costs	Net Margin	Total
Wheat	550	368	125	243	133,375
Barley	150	318	125	193	28,950
WOSR	200	329	125	204	40,800
V Peas	100	231	70	161	16,100
Beet	200	222	80	142	28,400
SAS					
Total	1,200	319		206	247,625

..... 2009 Budget–Gross Margins

	Acres	Yield t/ac	Price £/t	Variable Costs £/ac	Gross Margin £/ac
Wheat	550	3.3	145	153	326
S					
Barley	150	2.25	180	108	297
WOSR	200	1.4	310	142	292
V Peas	100	2	225	245	205
Beet	200	25	24	361	239
SAS					
Total	1,200			Average	292

..... 2009 Budget – Net Farm Margins

	Acres	Gross Margin	Op Costs	Net Margin	Total
Wheat	550	326	125	201	110,275
Barley	150	297	125	172	25,800
WOSR	200	292	125	167	33,400
V Peas	100	205	70	135	13,500
Beet	200	239	80	159	31,800
SAS					
Total	1,200	292		179	214,775

2006

52,950

2008

247,625

Continue with Beet or not?

- Selective land type
 - Yield potential?
 - Weed beet contamination
 - Soil structure issues
 - Other crop performance Vs Beet
- If you consistently Average less 25t/ac or less – let someone else grow it; or stop (even at £24/t).
- Yes; commodity prices are hugely variable at moment; but Beet is consistently poor!
- It is not the profitable crop that it was – revue its place in your farm business - NOW.

Conclusions

- 2008 Pricing simply doesn't compete;
- As Growers - why are we growing at £21/t in 08 when £24/t is already in place for 09!!!!; its insulting.
- Value of "de-coupled" quota cut compensation from 08 production might be circa £1/t – i.e. in itself not a reason to grow;
- **NO** to growing at £21/t for 2008;
- Look at Sp Barley – even Vining peas compete – how sad is that!!!
- Its clear that there is a cost to grow beet in 2008 for all but the best performers; why should the rest bother?

Conclusions

- New era for agriculture (arable sector!); new era in BSC grower relationship needed.
- Beet no longer profit mainstay of the business.
- Opportunity to re-build balance sheets from profit; plan and structure for the future - with or without beet.
- Look at your Net Margins carefully – new era for arable Ag world wide; react to it.
- Check for leaks and beware Agflation!
- Change is Good.

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